

Draft: 10/9/23

Market Analysis Procedures (D) Working Group
Virtual Meeting
September 18, 2023

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met Sept. 18, 2023. The following Working Group members participated: Jo LeDuc, Chair (MO); John Haworth, Vice Chair (WA); Jake Windley (AR); Maria Ailor and Tolanda Coker (AZ); Don McKinley (CA); Tracy Garceau (CO); Steve DeAngelis and Nick Gill (CT); Pratima Lele (DC); Scott Woods (FL); Erica Weyhenmeyer (IL); Shannon Lloyd (KS); Lori Cunningham (KY); Raymond Guzman (MD); Connie Mayette (ME); Jeff Hayden (MI); Robert McCullough (NE); Maureen Belanger (NH); Ralph Boeckman and Erin Porter (NJ); Larry Wertel (NY); Guy Self (OH); Landon Hubbard (OK); Karen Veronikis (PA); Brett Bache (RI); Rachel Moore (SC); Shelley Wiseman (UT); Melissa Gerachis (VA); Isabelle Turpin Keiser (VT); Rebecca Rebholz and Darcy Paskey (WI); and Theresa Miller (WV).

1. Adopted its July 17 Minutes

LeDuc said the Working Group met July 17 and took the following action: 1) adopted the standardized ratios for the Other Health Market Conduct Annual Statement (MCAS); and 2) discussed the exemption of fraternal from MCAS reporting.

Haworth made a motion, seconded by Keiser, to adopt the Working Group's July 17 minutes (Attachment XX). The motion passed unanimously.

2. Discussed Lunch and Learn Trainings

LeDuc said the Lunch and Learn sessions will be launched on Monday, Sept. 25; the session will be on the Market Analysis Prioritization Tool (MAPT). She said she was starting with baseline analysis because it is the first step in market analysis, and the MAPT found on iSite+ is accessible to everyone and used by most states for all or a portion of their baseline analysis. She said while the Lunch and Learns will primarily be for new analysts to learn how to do market analysis and use all the analysis tools available to them, the sessions will not be lectures. She said they will be most successful if they are interactive and conversational. She said she would like to have plenty of experienced analysts at the Lunch and Learns who can also contribute and share their knowledge and experience with the new analysts. She said the sessions will be recorded, and because they will use real data, the sessions will be regulator-only.

3. Discussed the Inclusion of Fraternal Insurance Companies in the MCAS

LeDuc said the Working Group has been discussing whether fraternal insurance companies should be required to file an MCAS. She noted that the Working Group seems split on the matter, with some firmly supportive and others just as firmly opposed. She also said there are a few states that may not be able to require filings from fraternal.

Allison Koppel (American Fraternal Alliance—AFA) said the exemption of fraternal from reporting an MCAS should remain. She said there were no compelling reasons for removing the exemption. She said the AFA has spoken with its members, and they agree there will be additional resources required to comply with reporting an MCAS. She said most fraternal are small and may need to train personnel or hire consultants. She said if the exemption is removed, the AFA requests six or more months' notice in advance of the first calendar year reporting.

Lloyd said the Kansas Insurance Department does not support removing the exemptions for fraternal at this time.

LeDuc said while most fraternal are small, there are some very large fraternal that state insurance market conduct regulators have been blind to. She suggested that the Working Group may need to reconsider the premium threshold requirement either across all lines of business or specific to fraternal. Ailor agreed that the threshold should be re-evaluated, and she said it should be re-evaluated across all lines of business. Haworth said in Washington, there are fraternal that write property/casualty (P/C) and long-term care insurance (LTCI). LeDuc said the Working Group should step back from considering the exemption of fraternal until it has considered revising the premium threshold for the MCAS. Ailor suggested gathering data on the number of companies required to file by different premium ranges in each line of business. LeDuc said NAIC staff will gather the data on the number of companies by premium by line of business.

4. Discussed NAIC MIS Data

LeDuc said she drafted a set of questions to guide her, several state insurance regulators, and NAIC staff in interviews with NAIC member jurisdictions concerning the use and effectiveness of the MAPT. She said the series of questions will cover whether the jurisdiction uses the MAPT, how it uses the MAPT, and whether it uses other data to complement its use of the MAPT. It concludes with a request for ways to improve the MAPT. LeDuc said she would like to begin these interviews as soon as possible because it may take some time to complete interviews of all the NAIC members. The interviews to go through the questions and discussion will be either with multiple jurisdictions at a time or individually depending on the preference of the jurisdiction.

Gerachis said she likes the flowchart of questions, and she said it would be helpful for states to complete the questions prior to the interviews. Guzman agreed and said completing the questions in writing would make the meetings more efficient. LeDuc agreed and said she is sensitive to how busy everyone is. Haworth said this will also help identify training needs.

5. Discussed the Draft of the Pet Insurance MCAS Ratios

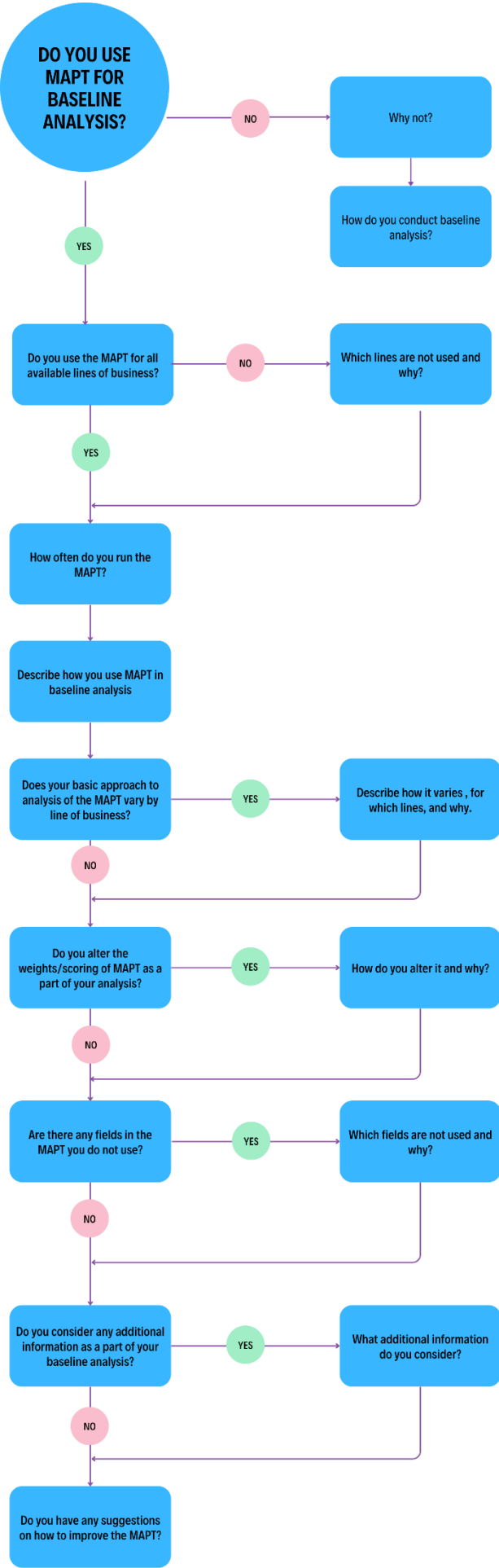
LeDuc said the Working Group will begin the process of developing the standardized ratios for the Pet Insurance MCAS Blank. She said a draft containing 23 potential ratios is posted on the Working Group web page under exposure drafts. She said the next step is to form a subject matter expert (SME) group to develop and finalize the list of ratios to be presented to the Working Group to consider and adopt. She said since Rhode Island led the development of the Pet Insurance blank, she asked Matt Gendron (RI) and Bache if they would lead the SME group, and they generously volunteered their time to do so.

LeDuc called for volunteers to be a part of the SME group. She said the Working Group is looking for both interested state insurance regulators and interested parties to participate in the drafting of the final version of ratios. She asked volunteers to contact Randy Helder (NAIC). Cari Lee (North American Pet Health Insurance Association—NAPHIA) volunteered.

Bache said the SME group will begin meeting right away and will post the drafting work of each meeting to the Working Group web page so everyone can follow the progress and provide comments to the SME group.

Having no further business, the Market Analysis Procedures (D) Working Group adjourned.

Sharepoint/Member Meetings/D CMTE/2023 Fall National Meeting/MAPWG/0918/09 MAP.docx



2024 Market Conduct Annual Statement Ratios

Pet Insurance

Ratio 1. **The number of claims closed without payment compared to the total number of claims closed.**

$$\left(\frac{[\text{\# of claims closed without payment during the period (3-77)}]}{[\text{\# of claims closed during the period (3-68)}]} \right)$$

*Ratio 2. **The number of claims closed with partial payment compared to the total number of claims closed.**

$$\left(\frac{[\text{\# of claims closed with partial payment during the period (3-72)}]}{[\text{\# of claims closed during the period (3-68)}]} \right)$$

*Ratio 3. **The number of claims closed with full payment compared to the total number of claims closed.**

$$\left(\frac{[\text{\# of claims closed with full payment during the period (3-69)}]}{[\text{\# of claims closed during the period (3-68)}]} \right)$$

Ratio 4. Percentage of claims unprocessed (open?) at the end of the period

$$\left(\frac{\text{Number of claims open at the beginning of period (3-66) + Number of claims opened during period (3-67)} - \text{Number of claims closed during the period (3-68)}}{\text{\# of claims open at the beginning of period (3-66) + \# of claims opened during the period (3-67)}} \right)$$

*Ratio 5. **Percentage paid on partial payments of the amount requested on partial payments**

$$\left(\frac{[\text{Dollar amount of claims closed with partial payment during the period (3-74)}]}{[\text{Dollar amount requested for claims closed with partial payment during the period (3-73)}]} \right)$$

Ratio 6. **Percentage of claims closed with full payment beyond 60 days**

$$\left(\frac{[\text{total \# of claims closed during the period with full payment beyond 60 days } (\sum 3-83 \text{ through } 3-86)]}{[\text{total \# of claims during the period with full payment closed over all durations } (\sum 3-81 \text{ through } 3-86)]} \right)$$

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Ratio 7. Percentage of claims closed with partial payment beyond 60 days

$$\left(\frac{[\text{total \# of claims closed during the period with partial payment beyond 60 days } (\sum 3-89 \text{ through } 3-92)]}{[\text{total \# of claims closed during the period with partial payment over all durations } (\sum 3-87 \text{ through } 3-92)]} \right)$$

Ratio 8. Percentage of claims closed without payment beyond 60 days

$$\left(\frac{[\text{total \# of claims closed during the period without payment beyond 60 days } (\sum 3-95 \text{ through } 3-98)]}{[\text{total \# of claims closed during the period without payment over all durations } (\sum 3-93 \text{ through } 3-98)]} \right)$$

Ratio 9. Pre-existing condition - closed without payments to total claims closed without payment

$$\left(\frac{[\text{\# of claims closed during the period without payment due to pre – existing condition exclusion } (3 – 100)]}{[\text{\# of claims closed during the period without payment } (3-77)]} \right)$$

Ratio 10. Inadequate documentation - closed with partial payments to total claims closed with partial payment

$$\left(\frac{[\text{\# of claims closed during the period with partial payment due to inadequate documentation } (3 – 110)]}{[\text{\# of claims closed during the period with partial payment } (3-72)]} \right)$$

Ratio 11. Percentage of policies in-force during the period that provided only accident coverage

$$\left(\frac{[\text{\# of policy/certificates in-force during the period that included accident-only coverage } (2-28 + 2-29)]}{[\text{\# of policies/certificates in force during the period } (\sum (2-28 \text{ through } 2-37))]} \right)$$

Ratio 12. Non-renewals to policies in force

$$\left(\frac{[\text{\# of company initiated policy/certificates non – renewals during the period } (2-46+2-47)]}{[\text{\# of policies/certificates in force during the period } (\sum (2-28 \text{ through } 2-37))]} \right)$$

Ratio 13. Percentage of policies returned under “Right to Examine and Return the Policy” provision

$$\left(\frac{[\text{\# of policies/certificates returned during the period under "Right to Examine" } (2-38 + 2-39)]}{[\text{total \# of policies issued during the period } (2-49 + 2-50)]} \right)$$

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Ratio 14. **Cancellations/terminations at the policy/certificate holders request**

$$\left(\frac{[\text{\# of cancellation/terminations during the period at the policy/certificate holders request (2-40+2-41)}]}{[\text{total \# of cancellation/terminations during the period } (\Sigma 2-40 \text{ through } 2-45)]} \right)$$

Ratio 15. **Applications denied for health status or condition to total applications received**

$$\left(\frac{[\text{\# of applications denied for health status or conduction during the period (2-61)}]}{[(\text{\# of applications received during the period (2-60)})]} \right)$$

Ratio 16. **Percentage of policies/certificates issued with a pre-existing condition exclusion**

$$\left(\frac{[\text{\# of policies/certificates issued with a pre-existing condition exclusion during the period (2-64)}]}{[\text{total \# of policies issued during the period (2-49 + 2-50)}]} \right)$$

Ratio 17. **Loss Ratio**

$$\left(\frac{[\text{Dollar amount of paid claims closed with full payment during the period (3-70)}] + [\text{Dollar amount of claims closed with partial payment during the period (3-74)}]}{[\text{Direct earned premium during the period (2-58)}]} \right)$$

Ratio 18. **Average Dollars of Commission Per Policy/Certificate**

$$\left(\frac{[\text{Commissions incurred during the period (4-113)}] - [\text{Unearned commissions returned to company during the period (4-114)}]}{[\text{total \# of policies issued during the period (2-49 + 2-50)}]} \right)$$

Ratio 19. **Percentage Commissions to Written Premium**

$$\left(\frac{[\text{Commissions incurred during the period (4-113)}] - [\text{Unearned commissions returned to company during the period (4-114)}]}{[\text{Direct written premium during the period (2-57)}]} \right)$$

Note: It is unclear to what extent commissions are paid on events other than new business (e.g., such as renewals)

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Ratio 20. **Lawsuits to Policies/Certificates in force during the period**

$$\left(\frac{[\# \text{ of lawsuits opened during the period (5-117)}]}{[[\# \text{ of policies/certificates in force during the period } (\sum (2-28 \text{ through } 2-37))]]} \right)$$

Ratio 21. **Lawsuits opened during the period to claims closed without payment**

$$\left(\frac{[\# \text{ of lawsuits opened during the period (5-117)}]}{[[\# \text{ of claims closed during the period without payment (3-77)}]]} \right)$$

Ratio 22. **Percentage of lawsuits closed with consideration for the consumer**

$$\left(\frac{[\text{Number of lawsuits closed with consideration for consumer (5-120)}]}{[\text{Number of lawsuits closed during the period (5-118)}]} \right)$$

Ratio 23. **The number of complaints per 1,000 policies in-force during the period**

$$\left(\frac{[\# \text{ of complaints received directly from any person or entity other than the DOI (5-115)}]}{([\# \text{ of policies/certificates in force during the period } (\sum (2-28 \text{ through } 2-37))] \div 1,000)} \right)$$

MCAS PREMIUM REPORTING THRESHOLD - Number of companies reporting by premium range and LOB

		< 50K	cumulative %	50K to 100K	cumulative %	100K to 250K	cumulative %	250K to 500K	cumulative %	500K to 1M	cumulative %	1M to 2.5M	cumulative %	2.5M to 5M	cumulative %	5M to 10M	cumulative %	> 10M	cumulative %	2022 DY average submissions/state
Life	average	2	100.00%	20	98.92%	30	88.88%	24	74.10%	23	62.73%	30	51.57%	21	37.34%	20	27.25%	42	18.25%	212
	median	2	100.00%	20	99.31%	31	89.70%	24	74.33%	23	62.80%	31	52.03%	22	38.29%	21	27.84%	40	18.30%	
Annuity	average	2	100.00%	7	98.01%	11	91.88%	9	82.46%	9	76.40%	12	66.83%	10	56.18%	11	47.76%	47	38.69%	118
	median	2	100.00%	7	98.41%	11	92.19%	9	82.58%	9	76.69%	13	67.37%	9	56.72%	11	49.21%	50	40.84%	
Home	average	1	100.00%	4	99.52%	7	95.42%	7	88.23%	9	82.19%	16	72.75%	13	57.68%	14	44.69%	35	32.10%	105
	median	1	100.00%	3	100.00%	7	96.10%	7	88.25%	9	81.79%	15	73.55%	13	56.22%	13	42.82%	34	30.69%	
PPA	average	1	100.00%	4	99.46%	9	95.47%	7	87.24%	9	81.30%	15	72.56%	12	59.35%	13	48.76%	41	37.60%	109
	median	1	100.00%	4	100.00%	8	95.41%	7	87.30%	9	82.42%	15	73.33%	12	58.02%	12	47.26%	43	36.63%	
Health	average	1	100.00%	2	97.37%	2	91.46%	2	83.99%	2	81.48%	2	75.78%	1	69.57%	1	64.01%	11	58.25%	19
	median	1	100.00%	1	100.00%	2	91.49%	1	84.21%	1	82.09%	1	75.00%	1	69.29%	1	62.50%	10	57.89%	
STLD	average	1	100.00%	1	82.27%	1	78.66%	1	61.64%	2	42.86%	1	31.04%	1	21.39%	1	14.91%	2	8.70%	5
	median	1	100.00%	1	85.71%	1	83.33%	1	62.50%	2	50.00%	1	33.33%	1	22.22%	1	12.50%	1	0.00%	
DI	average	4	100.00%	7	93.02%	11	82.22%	8	65.51%	7	53.90%	8	43.34%	5	30.84%	5	22.70%	12	15.68%	67
	median	4	100.00%	7	93.89%	12	83.01%	8	66.67%	7	55.10%	8	43.80%	5	33.07%	5	25.15%	14	18.61%	
LTC	average	19	100.00%	5	70.39%	7	62.09%	5	52.03%	5	44.34%	7	36.52%	5	26.31%	4	19.65%	9	14.20%	64
	median	19	100.00%	5	71.85%	7	63.26%	5	52.45%	5	44.30%	7	36.97%	4	26.65%	4	18.88%	9	13.12%	
LPI	average	1	100.00%	1	92.71%	2	88.27%	2	76.95%	2	66.71%	2	56.43%	2	41.72%	2	27.00%	3	16.56%	12
	median	1	100.00%	1	92.31%	1	90.91%	2	80.00%	2	69.23%	2	60.00%	2	41.88%	2	27.92%	2	15.38%	
Flood	average	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	0	99.60%	1	99.60%	5	97.22%	4
	median	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	0	100.00%	1	100.00%	3	100.00%	
Travel	average	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	1	99.78%	1	99.29%	1	98.51%	15	96.24%	16
	median	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	1	100.00%	1	100.00%	1	100.00%	16	100.00%	